89-05014/

Regional Municipality of Durham, 605 Rossland Road East, Whitby, Ontario L1N 6A3 Telephone 668-7711

MESSAGE FROM THE REGIONAL CHAIRMAN

As Regional Chairman, I am proud to be associated with the many financial and economic accomplishments highlighted in this 1988 financial report. In 1988, the Region of Durham not only maintained its strong economic base but continued to experience unprecedented growth which will ensure sufficient taxable resources to meet future demands on services.

The prudent fiscal policies of Regional Council as reflected in the Region's "pay-as-you-go" capital financing policy and resulting low debt levels are impressive to the financial community as evidenced by the Canadian Bond Rating Service upgrade of the Region's bond rating to a Triple A (Aaa). In addition, Moody's Investors Service Inc. reconfirmed its Triple A (Aaa) rating for debentures. This has placed the Region of Durham in a select group of Ontario regional municipalities.

It is remarkable that we were able to achieve the outstanding financial results experienced in 1988, for example, the overall year end surplus result of $7.3 million and the continued decrease in per capita debt, at a time when the Region is experiencing tremendous growth and diversification.

At the same time, we must be prepared to meet the challenges which will face the Region in the future. In this regard, waste disposal will become a major concern requiring skillful financial planning and expertise. I am confident that the established financial policies and controls and continued strong economic growth will ensure that our ratepayers will continue to be proud of living in this vibrant municipality.

I would like to express my appreciation to Regional Council, the Chief Administrative Officer and other senior staff for their dedication and commitment to the strong fiscal management established over the years and proven by the financial and economic highlights noted in this 1988 Financial Report.

G. Herrema

Gary Herrema
Regional Chairman

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Chief Administrative Officer	D.R. Evans, MA. Sc., P. Eng.
Finance Department	J.L. Gartley, CMA, AMCT *Commissioner of Finance and Treasurer*
	R.J. Clapp, CA *Director of Treasury Services*
	J.M. Cermak, CA *Manager of Accounting*
	R.D. Siblock, CMA *Manager of Water & Sewer Billing and Customer Service*
	J.P. Pennachetti, MBA, CGA *Director of Administrative Services*
	P.N. Richards, BBA, MBA *Manager, Budgets, Economic Studies and Risk Management*
	J.S. Lorne, CET, MBA *Manager, Supply & Services*
Auditor	Deloitte Haskins & Sells, *Chartered Accountants*
Banker	Canadian Imperial Bank of Commerce
Managers of Fiscal Agency	Pemberton Securities Inc. RBC Dominion Securities Inc. Wood Gundy Limited

REGIONAL COUNCIL
December 31, 1988

Chairman	Gary Herrema
COUNCILLORS	**Town of Ajax**	*Jim Witty
		Pat Clark
		Joseph Dickson
	Town of Newcastle	*Marie Hubbard
		Diane Hamre
		Larry Hannah
		Ken Hooper
	Town of Pickering	*Wayne Arthurs
		Douglas Dickerson
		Robert Mitchell
		Beverley Morgan
	Town of Whitby	*Robert Attersley
		Marcel Brunelle
		Joseph Drumm
		Tom Edwards
	City of Oshawa	*Allan Pilkey
		John Aker
		Pauline Beal
		David Conway
		Nancy Diamond
		Linda Dionne
		Irv Harrell
		Allan Mason
		Brian Nicholson
		Jim Potticary
		Margaret Shaw
	Township of Brock	*Donald Hadden
		John Doble
	Township of Scugog	*Howard Hall
		Yvonne Christie
	Township of Uxbridge	*Gerri Lynn O'Connor
		Donald Jackson

*Denotes Mayor of Municipality

Annual Report

of the Treasurer and Commissioner of Finance

for the year 1988

Preface

It is my privilege to present the Financial Statements for the Regional Municipality of Durham for the year ended December 31, 1988, including the Auditors' Report thereon, and to comment on the major financial and economic activities and events which occurred during the year.

The audited financial statements presented herein have been prepared in accordance with accounting principles generally accepted by municipalities in Ontario. The accounting principles used are those judged to be most appropriate under the circumstances with significant accounting policies described in the accompanying Notes to the Financial Statements.

To ensure that transactions are accurately recorded on a timely basis, properly approved, and result in reliable financial statements, the Region maintains an extensive system of internal accounting controls. The adequacy and preparation of the control systems are monitored on an ongoing basis by the Treasury Services Section of the Region's Finance Department.

The firm of Deloitte Haskins and Sells, Chartered Accountants, through its Auditors' Report, has expressed an independent and informed judgement as to whether the Region's financial statements present fairly the Municipality's financial position and results of its operation in conformity with generally accepted accounting principles.

The Auditors' Report is based on the findings from an examination of the Region's accounting systems, procedures and internal controls and is conducted in accordance with generally accepted auditing standards.

The financial information contained in my Annual Report, which follows, is consistent with the annual audited financial statements.

The Year in Review

Economic Highlights

In 1988 such projects as the widening of Highway 401 to 12 lanes, the Taunton Road/Steeles Avenue connection and the extension of the GO Transit system to Oshawa within the next few years were announced by the Province of Ontario. These new developments, combined with the opening of the GO extension to Whitby in December 1988, have added a significant new dimension to the economic advantages of the Region. Over the next several years as the Region of Durham continues to grow, these improvements to our infrastructure will make the Region an even more desirable place in which to live, work and play.

In 1988, the Regional total for building permits surpassed a significant milestone with a record value of $1.1 billion. This demonstrates that the Region is truly a major economic force in the Greater Metropolitan Toronto area. This total building permit growth to $1.1 billion is a 21% increase over the previous year. The largest component of the building permit total is the residential sector which accounted for 72% of the total and represented 8,217 new units — an increase in building permit value of 18% from 1987. Of note were increases in the Town of Pickering from 1,467 in 1987 to 2,440 units in 1988, the Town of Whitby with 1,072 in 1987 to 1,488 in 1988, the Town of Newcastle from 1,396 in 1987 to 1,519 in 1988 and the City of Oshawa maintaining a level growth in residential units at 1,214 in 1987 and 1,217 in 1988.

The total dollar value of building permits for commercial, industrial and other non-residential purposes increased by 51% over 1987 to $304 million. This total was dominated by the industrial component at $106 million up from $92 million in 1987 and the commercial component at $109 million up from $52 million in 1987. The strength of commercial development emphasizes the transition of the Region's economic base to the service sector. Significant projects in 1988 included the start of the new Administrative Headquarters for General Motors in Oshawa, a new 80,000 square foot office building at Bayly and Westney Road in Ajax and the announced expansion of the Oshawa Centre by Campeau Corporation. The growth of GO Transit and the development of GO Station nodes will further accelerate the growth in this sector.

New construction in 1988 for the industrial sector amounted to $106 million, which represents in excess of an additional 2,000,000 square feet. This included both new facilities and expansion areas and included the new headquarters of David Brown Gear Inc., and Purdue Fredrick Inc., which consisted of 81,400 square feet and amounted to $9,600,000 in Pickering; High Tech Mall Inc., consisting of 30,200 square feet and amounting to $5,700,000 and Comlink Systems Inc. consisting of 10,000 square feet and amounting to $950,000 in Oshawa; the new Atlantic Packaging Ltd. recycling facility consisting of 72,000 square feet and amounting to $2,000,000 and the expansion of BMW Canada Inc. amounting to $650,000 in Whitby.

It is projected that Durham Region will continue to exhibit strong growth for the current year and into the 1990's as evidenced by the recent announcement by Campeau Corporation for the expansion of the Oshawa Centre which will add another 140,000 square feet and $8,000,000 worth of building permit activity in the City of Oshawa and the construction of a $160,000,000 expansion to the St. Mary's Cement Plant in the Town of Newcastle which will make this one of the largest cement plants in the world. Of the numerous advantages offered by Durham Region, by far its greatest strength and most important asset is its residents who will continue to be the crucial element in the growth and development of the Region. This is the key factor which attracts industry to our vital Region.

The Year in Review

Financial Overview

The 1988 budget reflected the growth rates being experienced in the Region and resulted in an impact on the average ratepayer for general purposes at a rate of 6.8%, slightly above the rate of inflation. At the same time, the combined water and sewer rate increased by only 5.0% for water and sewer customers — a significant achievement considering the demand for services to accommodate the tremendous growth.

The objective of the Regional Council of eliminating the need for long-term borrowing for known capital projects was maintained in 1988 with the prudent financial practice of budgetting a special capital levy from current funds. In the 1988 general purpose current budget, Regional Council set aside $2.7 million ($1.5 million in 1987) for such special projects as the Pickering Police Station, a 911 Emergency Dialing Telephone System and renovations to certain Homes for the Aged facilities.

Moreover, approximately $22.4 million ($14.2 million in 1987) was provided in the water and sewer current budgets for capital expenditures to be financed from the 1988 current operations. As a result, debenture financing was not required for the Region's share of costs of the 1988 water and sewer capital projects in keeping with Regional Council's "pay-as-you-go" capital spending policy.

Although the overall 1988 Regional general purpose budget increase resulted in a Regional levy which slightly exceeded the rate of inflation, when combined with the water/sewer rate increase and with the controlled financial planning for capital expenditure from current funds, it was a very reasonable increase for the ratepayers and water and sewer customers in the Region.

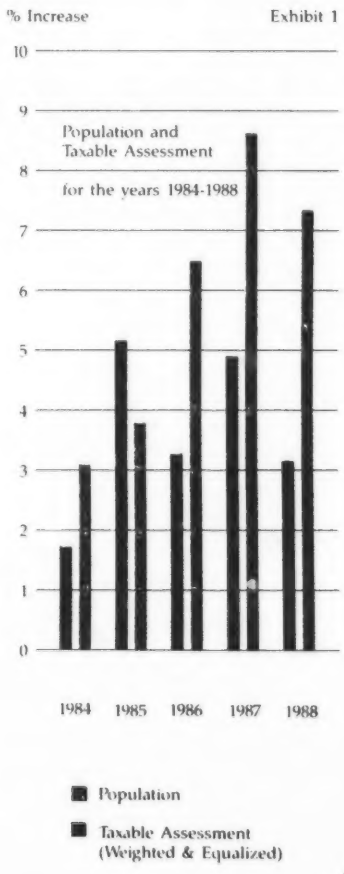
Financial controls and monitoring of revenues and expenditures are essential elements in exercising strong fiscal responsibility. Regional Council once again, by adhering to such controls was able to demonstrate excellent financial results for the year with a consolidated fund balance (surplus) of $7.3 million to be used to offset taxation and user charges. This fund balance included $2.5 million for general purposes, $1.9 million for the waterworks system, and $2.7 million for the sanitary sewerage system. The budgetary savings which contributed to the surplus balances were a direct result of cost and other financial controls currently in place and carefully followed by staff as directed by the Chief Administrative Officer.

In 1989, water and sewer rates will increase by 7.1% which is slightly above the expected rate of inflation. At the same time, the Regional levy for general purposes will increase at a rate of approximately 19% for the average ratepayer in Durham. This increase is partly as a result of Regional Council's decision to continue to provide for 100% financing of capital projects from the current levy and from major cost increases in the areas of police, waste disposal, social services and roads which result from the rapid growth and development in the Region of Durham.

In spite of the large increase in the Regional levy for 1989 compared to 1988, Durham's taxes are comparable to those of other growth municipalities i.e. the 19% increase equates to about a $50 to $60 average increase in the Region's portion of the property tax bills.

Population and Taxable Assessment Growth

The population in Durham increased in 1988 by 3.2% but, more notably, the taxable assessment increased at a greater rate (7.3%). This positive trend is indicated in Exhibit 1.



Revenue Fund
Sources of Financing

The main sources of revenues in 1988 for Durham total $174.4 million and are presented in Exhibit 2.

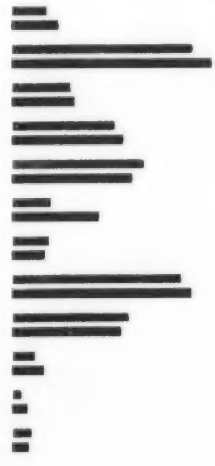
The Province of Ontario has provided the Region with its major financing source by contributing $60.3 million or 34.6% of the total current revenues for 1988 with the Regional levy representing $55.7 million or 32.0% of total revenues. The balance of revenues are comprised of water and sewer user charges ($38.5 million), fees and service charges ($16.9 million) and other sources ($3.0 million).

Exhibit 2 — Sources of Revenue Fund Financing
(All amounts in thousands of dollars)

		1988	1987
REVENUE	Requisition: General Regional	**55,730**	46,395
	Ontario Grants	**60,337**	52,712
■ 1988	User Charges: Water and Sewer	**38,491**	33,731
■ 1987	Fees and Service Charges	**16,852**	13,746
	Other	**2,995**	1,304
	Total Revenue	**174,405**	147,888

Exhibit 3 — Revenue Fund Expenditures
(All amounts in thousands of dollars)

		1988	1987
EXPENDITURE	General Government	**6,336**	4,838
	Protection to Persons and Property	**31,316**	28,202
	Transportation Services	**8,259**	8,026
	Waterworks	**16,446**	16,182
	Sanitary Sewage	**19,417**	20,127
	Other Environmental Services	**12,732**	5,681
■ 1988	Health Services	**5,251**	4,787
■ 1987	Social Services	**27,343**	23,973
	Senior Citizen Services	**20,972**	19,198
	Day Nurseries	**4,626**	3,655
	Family & Children's Services	**1,725**	1,381
	Planning & Development	**2,562**	2,803
	Total Expenditure	**156,985**	138,853



Revenue Fund
Expenditures

The 1988 revenue fund expenditures for the Region of Durham are presented herewith according to their major functional headings.

Social and Family Services represent the major expenditure item at $54.7 million or 34.8% of total current expenditures. The cost of Social and Family Services includes welfare assistance, family counselling, day nursery services and the maintenance of Durham's three Homes for the Aged. These costs are directly related to programs established by the Province of Ontario, and accordingly, are extensively subsidized by the Province.

The cost for Protection to Persons and Property is $31.3 million or 19.9% of total expenditures. Of this amount, $30.0 million represents Police costs for the year while the balance represents the Regional share of the costs of various Conservation Authorities and the Emergency Measures program.

The balance of expenditures of the revenue fund is illustrated in Exhibit 3.

Of the 1988 total expenditures of $156.9 million, the Region's cost for human resources represents approximately 50%. In the area of human resources, the Region has implemented pay equity for its management employees and is reviewing measures for achieving pay equity for its union positions. Also, the Region has responded quickly and positively to Occupational Health and Safety legislation with the establishment of a Health and Safety Department reporting directly to the Chief Administrative Officer.

Waterworks and Sanitary Sewage Operations

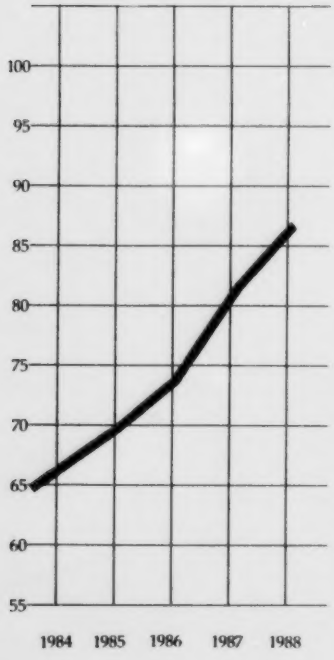
A major responsibility of the Region of Durham is the administration, operation and maintenance of the water supply and sanitary sewage systems.

Revenues required to finance these Regional functions are raised mainly from Region-wide uniform user fees. The water and sewer revenues and expenditures are monitored very closely during the year to ensure that these specialized operations are financially viable.

The 1988 operation of the waterworks system resulted in a surplus of $1.9 million due to an increase in revenues from the sale of water and service charges exceeding the amount projected. The customer growth and large increases in water consumption, especially by the industrial and commercial sectors, continued in 1988 and contributed extensively to this surplus. The dynamic growth experienced by the Region is demonstrated by the increase in the number of water customers as shown in Exhibit 4.

Exhibit 4

Increase In The Number Of Water Customers (1984-1988)



Similarly, the 1988 operation for the sanitary sewage system resulted in a surplus of $2.7 million. As with the water operation, the direct billing revenues exceeded the amount projected, mainly as a result of the high growth rate in the number of customers in Durham during the year.

Exhibit 5 indicates the total amount spent on water and sewer operations and the surplus generated for each of the years 1984 to 1988. This chart reveals the sound financial condition of the water/sewer operations.

The water and sewage operations within Durham are examined annually to ensure their financial stability and viability. In 1988, as in previous years, a tri-department study group, consisting of staff from the Works, Planning and Finance Departments, reviewed the financing and servicing of the Waterworks and Sanitary Sewage Systems. In addition, the water and sewer rates and rate structures were examined in detail to ensure that:

- the water and sewer rates are adequate and the rate structures are appropriate;
- the financial resources available to the water supply and sanitary sewage systems in the form of user revenues, development charge levies and other revenues are sufficient to meet anticipated expenditures; and
- the water and sanitary sewage systems are self-supporting and financially managed in the most efficient manner consistent with the needs of the ratepayers in Durham.

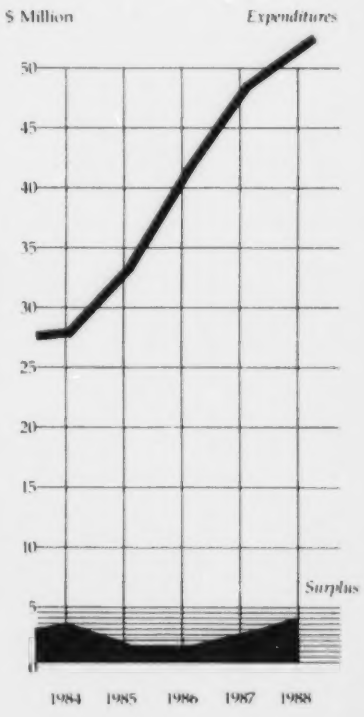
As a result of the 1987 study, the 1988 Regional water and sewer user rates were increased by 5.0% in order to provide the necessary financing for the water and sewer operations. Similarly, the 1988 study for 1989 purposes made a recommendation, which was adopted by Regional Council that the water/sewer rates be increased by 7.1% in 1989 in order to meet current and capital from current expenditures.

In addition, Regional Council adopted the 1988 water and sanitary sewer services capital budget which contained no provision for debenture financing of the Region's share of 1988 capital projects. This is a continuation of the Region of Durham's policy to finance capital spending from current operations. Over the past five years, approximately $40 million has been expended from current operations to finance water/sewer capital projects.

Durham will continue to monitor and review the costs and financing of the water and sewer operations annually to ensure efficiently managed and financially sound systems which will allow for future growth yet not impose an undue financial burden on the users of these systems.

Exhibit 5

Water Sewer
Expenditures and
Yearly Surplus Amounts



Waste Disposal

The waste disposal operation also undergoes an extensive Works-Finance joint departmental review each year to ensure adequate financing and servicing.

At present, the Waste Disposal Operations of the Region encompass four landfill sites and three municipal transfer stations for residential refuse. In addition, the Region has an agreement with Metropolitan Toronto to utilize the Brock West Landfill Site operated by Metro Toronto and located in Pickering where the majority of the Region solid waste is currently disposed.

In 1988, waste disposal underwent a number of changes that will have significant financial and other implications for the Region of Durham:

- Increase in the user rate fee charged by Metropolitan Toronto from $18.07 to $50.00 per tonne for use of the Metro Brock West Landfill Site located in Pickering.
- Receipt of a rebate from Metropolitan Toronto equivalent to $28.36 per tonne for all residentially generated solid waste entering the Metro Brock West Landfill Site. (This results in a net user rate fee for residential purposes of $22.64 per tonne.)
- Payment of a royalty to the Region ($1.52 per tonne) for all solid waste disposed of at the Metro Brock Waste Landfill Site.
- Implementation of a full scale, multi-material, curbside collection "blue box" residential recycling program for all urban areas of the Region currently receiving regular refuse pickup.
- Integration of a five year waste management program to reduce solid waste entering landfill sites by 25% through recycling/reuse/recovery/reduction of waste material.

In 1988, revenue fund expenditures relating to solid waste management totalled $12.8 million and was funded from a combination of user rates, grants, rebates received from Metropolitan Toronto and a contribution from the Regional levy for General Purposes.

Currently, Regional Council is considering its participation in a proposal set forth by the five Regional Chairmen of the Greater Toronto Area regarding a Long Term Plan For The Management of Solid Waste. Concurrently, Council is reviewing the nomination of joint solid waste landfill site capacity within Regional boundaries in conjunction with Metropolitan Toronto, which would be owned and operated by the Region as a prerequisite to participation in the Greater Toronto Area Plan.

In light of the rapidly depleting landfill site capacity available at the Metro Brock West Landfill Site, which is scheduled to close in 1990, the outcome of these deliberations by Council may have far reaching financial implications for the Region.

Reserves and Reserve Funds

Financing capital expenditures from sources other than long-term borrowing continues to be a very significant and integral aspect of the overall financing of major capital projects.

In 1988, $16.7 million ($14.2 million in 1987) was transferred to revenue funds from reserves and reserve funds to finance capital expenditures and debenture debt charges related to new residential growth. This reflects Regional Council's desire to pay, whenever possible, for capital expenditure relating to new residential growth from these funds which are collected mainly from residential developers for this purpose.

Reserves and reserve fund balances at the end of 1988 are $47.6 million. This is an increase of $4.1 million from 1987 and reflects the high rate of development taking place in Durham. Developers' lot levy contributions increased from a record high of $15.3 million in 1987 to $15.8 million in 1988. By prudent investment of these funds throughout the year, approximately $4.4 million in interest income was earned from the invested proceeds of the reserve funds. This income remains in the reserve funds to be applied against future capital requirements for residential purposes.

Capital Operations

Regional Council carefully scrutinizes all funding of capital operations to ensure financing of as much capital expenditure from current revenues as practical, thereby maintaining the Region's established "pay-as-you-go" policy. In 1988, Durham spent $42.7 million on capital expenditure ($32.7 in 1987). Source of Capital Funds in 1988 was provided from current operations ($24.5 million), Provincial grants ($9.3 million), and other sources including Reserves and Reserve Funds ($8.9 million).

A summary of the 1988 capital operation is included in Exhibit 6.

Exhibit 6 Capital Expenditures & Financing

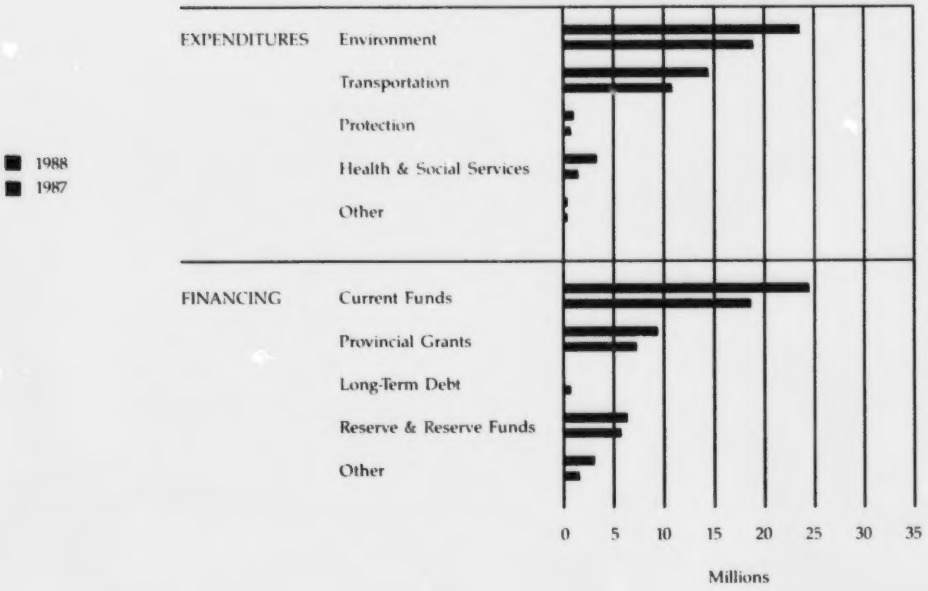
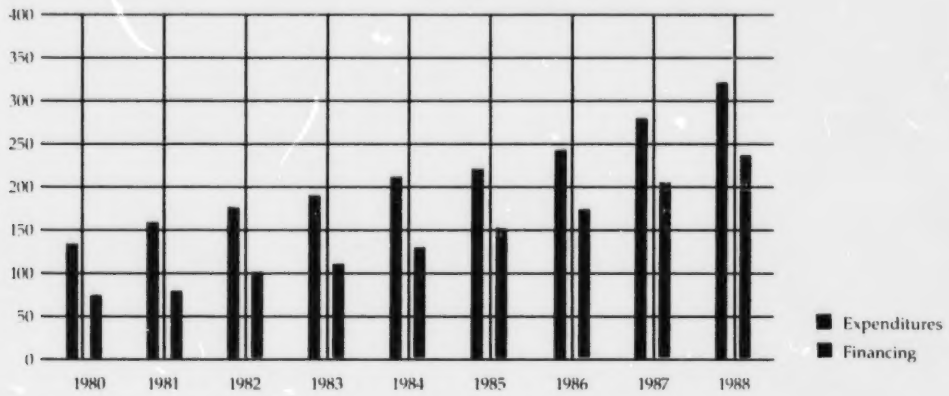


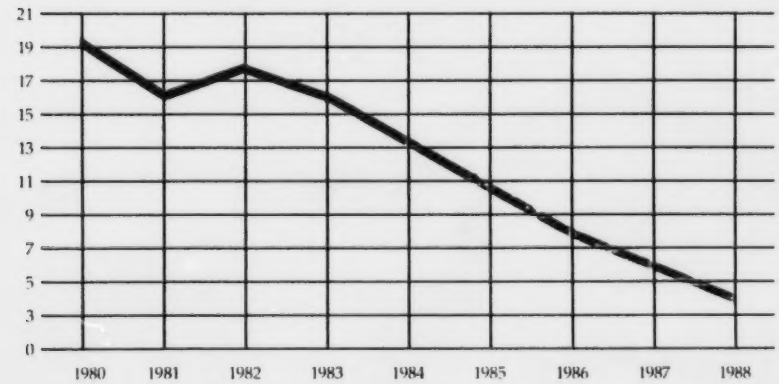
Exhibit 7 highlights Regional Council's "pay-as-you-go" capital spending policy over the years with approximately $250 million of capital expenditure financed from current operations and sources other than long term debt since the inception of the Region in 1974. This represents 75% of the funding of the total capital expenditures incurred from 1974 to 1988 inclusive.

Exhibit 7 Cumulative Capital Expenditures & Financing (1980-1988) $ Millions



Moreover, the per capita debt for general purposes has continued to decrease over the past six years, from $15.83 per capita in 1983 to $4.04 per capita in 1988 as illustrated in Exhibit 8.

Exhibit 8 Per Capita General Purpose Debt 1980 to 1988 Dollars



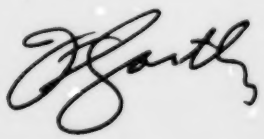
Moreover, the debt of sanitary sewer and water servicing purposes has decreased from a combined total of $71.8 million in 1983 to $35.3 million in 1988, a decrease of 51% in the six year period.

However, it should be noted that it may not always be possible for the Region to continue with a 100% "pay-as-you-go policy" as there are several large projects to be constructed by the Municipality in the future, for example, water and sewage plants. In any event, it is the intention of Regional Council to use "pay-as-you-go" financing as the cornerstone of financial planning in the future.

Annual Report
Summary

In summary, Regional Council has established sound financial policies and controls which are followed carefully by the municipality's senior appointed staff. Strict adherence to these policies assures the financial stability and integrity of the Regional Municipality of Durham for now and for the future. The financial and economic accomplishments for 1988 are exceptional. Even with unprecedenied growth, the Municipality continues to prosper. Whatever the future holds for the municipalities in the Greater Toronto Area, Durham's solid financial base will ensure that the Municipality will continue to "flourish" in the future.

Respectfully submitted,



J. L. Gartley, CMA,
Commissioner of Finance.

AUDITORS' REPORT & FINANCIAL STATEMENTS

Deloitte
Haskins + Sells

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Regional Municipality of Durham:

We have examined the consolidated balance sheet of the Corporation of the Regional Municipality of Durham as at December 31, 1988 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation of the Regional Municipality of Durham as at December 31, 1988 and the results of its operations for the year then ended in accordance with accounting principles disclosed in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Deloitte Haskins Sells

DELOITTE HASKINS + SELLS
Chartered Accountants
Oshawa, Ontario
March 31, 1989

Consolidated Balance Sheet

as at December 31, 1988

		1988	1987
ASSETS:		$	$
UNRESTRICTED:	Cash and short-term investments	**18,109,251**	19,782,231
	Accounts receivable (net of allowance for doubtful accounts of $280,000–1988 and 1987)	**29,834,250**	23,798,816
	Other current assets (Note 3)	**3,659,417**	3,487,620
		51,602,918	47,068,667
RESTRICTED (Note 7):	Cash and short-term investments	**41,270,159**	35,782,537
	Accounts receivable	**31,069**	28,186
	Investment in own debentures	**491,674**	[illegible],212
		41,792,902	37,179,935
CAPITAL OUTLAY:	Capital outlay financed by long-term liabilities and to be recovered in future years (Notes 2, 4 and 5a)	**37,324,765**	48,512,745
		130,720,585	132,761,347
LIABILITIES:			
	Accounts payable and accrued liabilities	**23,889,094**	19,709,301
	Current portion of Ontario Housing Action Program loans	**5,042,633**	5,474,333
	Other current liabilities and deferred revenue	**3,727,896** *	4,781,149
		32,659,623	29,964,783
	Net long-term liabilities (Note 5)	**37,324,765**	48,512,745
FUND BALANCES:			
To be used to offset taxation or user charges in 1989	General Revenue	**2,508,813**	1,917,625
	Waterworks System	**1,882,643**	765,239
	Sanitary Sewage System	**2,651,778**	1,871,038
	Waste Disposal System	**604**	112,777
	Environmental Inspections	**280,207**	243,629
		7,324,045	4,910,308
	Unexpended Capital Financing	**5,828,022**	5,904,152
	Reserves (Note 6)	**5,791,228**	6,289,424
	Reserve funds (Note 7)	**41,792,902**	37,179,935
		60,736,197	54,283,819
		130,720,585	132,761,347

* *The accompanying notes are an integral part of these financial statements*

Consolidated Statement of Operations

for the year ended December 31, 1988

		1988 Actual	1987 Actual
SOURCES OF FINANCING: (Schedule 1)		$	$
	Requisition on Area Municipalities	**55,730,265**	46,395,273
	User charges — Water and Sewer	**38,490,953**	33,730,971
	Other user charges	**16,852,069**	13,745,760
	Grants — Government of Canada	**412,255**	1,285,440
	— Province of Ontario	**69,681,544**	59,710,718
	Contribution from developers	**17,108,585**	16,777,536
	Other	**11,589,495**	6,049,172
		209,865,166	177,694,870
	Proceeds from Issue of Long-Term Liabilities	—	1,692,761
EXPENDITURES: (Notes 2, 8, 9, 10 and 11) (Schedule 1)			
	General government	**6,493,299**	5,063,933
	Protection to persons and property	**33,057,319**	29,565,718
	Transportation services	**23,140,245**	18,751,058
	Environmental services	**71,507,657**	60,534,816
	Health services	**5,333,619**	4,825,302
	Social and family services	**57,992,871**	50,116,946
	Planning and development	**2,696,623**	3,154,601
		200,221,633	172,012,374
EXCESS:	Excess of financing over expenditures before extraordinary item	**9,643,533**	7,375,257
EXTRAORDINARY ITEM:	(Note 13)	**3,191,155**	—
EXCESS:	Excess of financing over expenditures after extraordinary item	**6,452,378**	7,375,257
FUND BALANCES:	Beginning of year	**54,283,819**	46,908,562
FUND BALANCES:	End of year	**60,736,197**	54,283,819

** The accompanying notes are an integral part of these financial statements.*

Notes to Financial Statements

December 31, 1988

1. Municipal Structure

The Regional Municipality of Durham came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, under the authority of the Regional Municipality of Durham Act, 1973.

The Region comprises the following Area Municipalities:

City of Oshawa
Town of Ajax
Town of Newcastle
Town of Pickering
Town of Whitby
Township of Brock
Township of Scugog
Township of Uxbridge

and is responsible for services within these Area Municipalities related to the following:

- Financial, including all debt issues.
- Protection to persons and property, including Police, Conservation Authorities, Emergency Planning and Fire Co-ordination.
- Transportation Services, including all Regional Roadways and Traffic Control.
- Environmental Services, including Waterworks System, Sanitary Sewer System, Regional Storm Sewer System and Waste Disposal.
- Health Services, including Public Health Services and Inspections.
- Social and Family Services, including General Assistance, Homes for the Aged and Day Nurseries.
- Planning, including official plan administration.
- Industrial Development and Promotion.

Notes to Financial Statements

December 31, 1988

2. Summary of Accounting Principles

a) BASIS OF CONSOLIDATION:

i) Consolidated Balance Sheet This statement reflects the assets and liabilities of the revenue fund, reserve funds, the capital fund and the Board of Commissioners of Police.

ii) Consolidated Statement of Operations This statement reflects the consolidated sources of financing and expenditures of the revenue fund, reserves, reserve funds and the capital fund of the municipality, including the activities of the Board of Commissioners of Police.

iii) Trust Funds and Sinking Fund The trust funds and sinking fund administered by the municipality are not included in these consolidated financial statements. The "Net long-term liabilities and capital outlay to be recovered in future years" on the "Consolidated Balance Sheet" have been reduced by an amount equal to the sinking fund administered by the municipality. The Trust Funds and the Sinking Fund financial statements are disclosed separately.

b) BASIS OF ACCOUNTING:

i) Accrual Basis of Accounting Expenditures and their related sources of financing are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

ii) Fixed Assets The historical cost and accumulated depreciation of fixed assets are not reported for municipal purposes. Fixed assets are reported as an expenditure on the "Consolidated Statement of Operations" in the year of acquisition.

iii) Capital Outlay to be Recovered in Future Years "Capital outlay to be recovered in future years," which represents the outstanding principal portion of long-term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the "Consolidated Balance Sheet".

iv) Inventories of Supplies Inventories of supplies are valued at cost on the first-in, first-out basis.

Notes to Financial Statements
December 31, 1988

3. Other Current Assets

	1988	1987
	$	$
Inventory	1,746,873	1,511,226
Prepaid Expenses	1,887,844	1,951,694
Other	24,700	24,700
	3,659,417	3,487,620

4. Capital Outlay to be Recovered in Future Years

Certain capital outlay will be recovered in future years from the following sources:

	1988	1987
	$	$
General activities	1,418,721	2,093,391
Special charges on benefiting landowners	2,477,680	3,126,214
Sanitary sewage operation	14,588,188	19,852,766
Waterworks operation	18,309,020	22,782,405
Waste disposal operation	531,156	657,969
	37,324,765	48,512,745

Notes to Financial Statements
December 31, 1988

5. Net Long-Term Liabilities

The balance of net long-term liabilities reported on the "Consolidated Balance Sheet" is made up of the following:

	1988	1987
	$	$
Total long-term liabilities incurred by the Region (including the former County of Ontario) and outstanding at the end of the year amount to	59,025,701	62,745,978
In addition, the Region has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities. At the end of the year, the principal amount of this liability is	2,097,268	3,004,386
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed:		
by other municipalities and independent boards for a principal amount of	(22,920,417)	(16,401,901)
by the Province of Ontario for the York/Durham Sewage System	(228,243)	(280,148)
The total value of the Sinking Fund, which has been accumulated to the end of the year to retire outstanding long-term liabilities included above, amounts to	(649,544)	(555,570)
Net long-term liabilities at the end of the year	37,324,765	48,512,745

Approval of the Ontario Municipal Board has been obtained for these long-term liabilities.

The net long-term liabilities will be charged to operations as follows:

	1989	1990	1991	1992 to 1996	1997 and Thereafter
	$	$	$	$	$
Waterworks Operation	4,176,417	3,556,162	3,062,263	6,561,908	1,881,935
Sanitary Sewage Operation	5,241,221	4,271,076	2,059,086	4,306,262	258,557
Police	252,740	187,510	76,520	22,530	—
Roads and Storm Sewers	37,279	13,587	—	—	—
Homes for the Aged	241,752	192,079	193,655	186,552	14,518
Waste Disposal	136,906	159,000	186,750	48,500	—
	10,086,315	8,379,414	5,578,274	11,125,752	2,155,010

Notes to Financial Statements
December 31, 1988

5. Net Long-Term Liabilities (continued)

Included in "Net long-term liabilities" on the "Consolidated Balance Sheet" are the following:

a) An amount of $13,287,248 (1987 — $16,412,488) payable in United States dollars, which was converted into Canadian dollars at the rate of exchange prevailing at December 31, 1988. If the liability was converted into Canadian dollars at the exchange rate prevailing when the liability was incurred, the loss on exchange would be $689,421 (1987 — $2,165,307).

A Foreign Exchange Reserve Fund in the amount of $1,121,234 (1987 — $600,085) has been established to provide for foreign exchange fluctuations and is reflected on the "Consolidated Balance Sheet". An amount of $463,096 (1987 — $169,753) has been provided for in the current year and is reported on the "Consolidated Statement of Operations".

b) An amount of $17,228,961 (1987 — $22,271,594) in Ontario Housing Action Program loans, which assist in financing the installation of trunk water and sanitary sewer systems within the Region. Such loan amounts are interest-free and are repayable in accordance with formulae related to the registration of plans of subdivisions in the Towns of Ajax, Pickering, Newcastle, Whitby and the City of Oshawa, on which the Region of Durham can collect development charge levies.

It is estimated that these loans will be charged to operations as follows based on housing projections:

	1989	1990	1991	1992	1993
	$	$	$	$	$
Waterworks Operation	3,150,000	2,650,000	2,650,000	2,650,000	681,946
Sanitary Sewer Operation	2,760,000	2,210,000	477,015	—	—
	5,910,000	4,860,000	3,127,015	2,650,000	681,946

Notes to Financial Statements

December 31, 1988

6. Reserves

The reserves are comprised of the following:

	1988	1987
	$	$
Working capital	1,804,855	1,763,715
Equipment replacement	1,263,964	1,278,341
Contingencies	400,000	400,000
Sick leave	1,126,389	969,492
Capital construction	1,016,665	1,187,630
Debenture repayment: sanitary sewage	179,355	690,246
	5,791,228	6,289,424

7. Reserve Funds

The reserve funds are comprised of the following:

		1988	1987
		$	$
Development Charge Levies:	Roads	5,128,263	3,744,598
	Sanitary Sewage	11,449,985	9,755,717
	Waterworks	5,202,054	6,382,546
	Well Interference	69,773	—
	Fixed Charges	1,713,290	1,689,108
	General Purposes	—	1,124,248
Regional Share of Sanitary Sewage Works		4,434,009	3,883,664
Regional Share of Waterworks		2,739,106	2,786,766
Rate Stabilization: Sewage		1,161,048	85,752
Waterworks		1,433,375	446,209
Regional Share of Non-Residential Development: Sewage		422,566	202,933
Waterworks		422,566	202,933
911 Emergency Telephone System		1,041,174	279,033
Regional Headquarters Building		111,281	101,466
Waste Disposal		1,699,753	315,994
Industrial Land		493,333	351,516
Roads Property Acquisition		326,623	297,231
Foreign Exchange		1,121,234	600,085
Workers' Compensation		50,880	—
York/Durham Sanitary Sewage		100,000	—
Insurance		2,672,589	2,021,089
Brooklin Development		—	2,909,047
		41,792,902	37,179,935

Notes to Financial Statements

December 31, 1988

8. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 2,192 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 1988 was $3,753,941 (1987 — $3,286,333) for current service and is included as an expenditure on the "Consolidated Statement of Operations".

In addition, the Region maintains with OMERS a supplementary pension plan for the Regional Police Department. At December 31, 1988 the Region's calculation placed the liability for the unfunded past-service portion of this pension at $374,749. No provision has been made for this liability in the financial statements. However, this amount will be amortized and charged to Police expenditures in equal amounts of $9,100 per month with the final installment due in December 1992.

9. Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by employees on terminating, amounted to approximately $11,577,000 at the end of the year (1987 — $10,884,000). An amount of $592,442 (1987 — $436,781) was paid to employees who left the municipality's employment during the current year.

A provision for sick leave reserve in the amount of $1,126,389 (1987 — $969,492) has been made for this liability and is reflected on the "Consolidated Balance Sheet". An amount of $156,897 (1987 — $136,728) has been provided for in the current year and is reported on the "Consolidated Statement of Operations".

Notes to Financial Statements
December 31, 1988

10. Charges for Net Long-Term Liabilities

Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Operations" are as follows:

	1988	1987
	$	$
Principal payments, including contributions to the Sinking Fund and to the Ministry of the Environment Debt Retirement Fund	9,598,362	11,875,579
Interest	2,970,624	3,595,285
	12,568,986	15,470,864

Of the total 1988 charges shown above, $762,010 was paid from general municipal revenues of the municipality, $5,221,572 was recovered from the waterworks operation, $6,347,070 from the sanitary sewage operation and $238,334 from the waste disposal operation. These amounts are included on the "Consolidated Statement of Operations" classified under the appropriate functional expenditure headings.

Notes to Financial Statements

December 31, 1988

11. Contractual Obligations

a) SANITARY SEWAGE SYSTEMS

The Region has entered into an agreement with the Province of Ontario and the Regional Municipality of York whereby the Province will provide sanitary sewage services to portions of the Regions of Durham and York. Under this agreement, the Province will construct and finance sewage plant facilities, and charge the Regions for the capital and operating costs of the facilities based on a sewage service rate. The sewage service rate for the period from January 1, 1988 to September 30, 1988 was $1.36 per thousand gallons for a total cost of approximately $3,524,000.

Effective October 1, 1988, the Region will operate the sewage system on behalf of the Province and will assume its share of operating costs and, in turn, will charge the Region of York for a share of the costs incurred to operate the system.

In addition, under the Regional Municipality of Durham Act, 1973, the Region has assumed the responsibility for the payment of sanitary sewage operating costs from the former local municipalities in agreements with the Ontario Water Resources Commission and Ministry of the Environment. In 1988 the average sanitary sewage service rate for the five sewage systems was 61¢ per thousand gallons for a total cost of approximately $358,000.

b) LEASE COMMITMENT

The Region has commitments under various building lease agreements expiring in 1989 to 1995. These leases require an annual rental expense of approximately $1,300,000.

12. Contingent Liabilities

In 1988, the City of Oshawa initiated legal proceedings against the Region of Durham claiming a percentage ownership in the Regional Headquarters building which arose prior to the formation of the Region. In addition, the City is claiming a share of net rental revenues received.

The disposition of this claim is not determinable at the present time.

Notes to Financial Statements
December 31, 1988

13. Extraordinary Item

In 1984, the Region of Durham cashed certain Letters of Credit which were held as security to be drawn upon for application by the Region towards the cost of providing sewage works and/or additions or alterations to the existing water supply system within or to the Brooklin area. Subsequent to the cashing of the Letters of Credit, the developer initiated litigation proceedings against the Region. These proceedings have been decided in favour of the developer and the Region has provided for the return of the funds received on cashing the Letters of Credit, plus interest.

14. Budget Figures

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts. Therefore the budgets have not been reflected on the "Consolidated Statement of Operations".

15. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

SUPPORTING SCHEDULES

Schedule of Consolidated Operations

Schedule 1

for the year ended December 31, 1988
(Note 14)

		Revenue Fund (Budget)	Revenue Fund (Actual)	Capital Fund (Actual)	Reserves and Reserve Funds (Actual)	1988 Total (Actual)
		$	$	$	$	$
SOURCES OF FINANCING:	Requisition on Area Municipalities	52,832,053	55,730,265	—	—	**55,730,265**
	User Charges — Water and Sewer	34,483,778	38,490,953	—	—	**38,490,953**
	Other User Charges	14,997,241	16,852,069	—	—	**16,852,069**
	Grants — Government of Canada	162,600	122,506	289,749	—	**412,255**
	— Province of Ontario	62,841,394	60,336,396	9,345,148	—	**69,681,544**
	Contribution from developers	—	—	1,328,203	15,780,382	**17,108,585**
	Other	2,641,261	2,872,577	2,714,220	6,002,698	**11,589,495**
		167,958,327	174,404,766	13,677,320	21,783,080	**209,865,166**
EXPENDITURES:	General government	5,589,296	6,335,603	157,696	—	**6,493,299**
	Protection to persons & property	31,372,161	31,316,526	1,570,073	170,720	**33,057,319**
	Transportation services	8,399,240	8,259,063	14,582,733	298,449	**23,140,245**
	Environmental services	47,138,377	48,595,347	22,912,310	—	**71,507,657**
	Health services	5,647,333	5,250,580	83,039	—	**5,333,619**
	Social and family services	57,088,631	54,666,075	3,326,796	—	**57,992,871**
	Planning and development	2,531,897	2,562,181	129,416	5,026	**2,696,623**
		157,766,935	156,985,375	42,762,063	474,195	**200,221,633**
EXCESS:	Excess of financing over expenditures before extraordinary item	10,191,392	17,419,391	(29,084,743)	21,308,885	**9,643,533**
EXTRAORDINARY ITEM:	(Note 13)	—	—	—	3,191,155	**3,191,155**
EXCESS:	Excess of financing over expenditures after extraordinary item	10,191,392	17,419,391	(29,084,743)	18,117,730	**6,452,378**
APPROPRIATIONS:	Net appropriations between funds	(14,550,092)	(15,005,654)	29,008,613	(14,002,959)	—
FUND BALANCES:	Beginning of year	4,358,700	4,910,308	5,904,152	43,469,359	**54,283,819**
FUND BALANCES:	End of year	—	7,324,045	5,828,022	47,584,130	**60,736,197**

Summary Schedule of Continuity of Reserve Funds

Schedule 2

for the year ended December 31, 1988

		1988	1987
		$	$
BALANCE:	Beginning of year	**37,179,935**	32,167,507
REVENUE:	Interest on investments	**4,383,617**	3,405,806
	Development charge levies	**15,780,382**	15,337,550
	Contributions from the revenue fund	**6,285,929**	2,730,000
	Royalty payment	**973,218**	—
	Other	**802,532**	678,391
	Total revenue	**28,225,678**	22,151,747
EXPENDITURE:	Debt charges and capital expenditures — general activities	**3,547,250**	2,273,035
	— sanitary sewage operation	**4,803,741**	3,632,017
	— waterworks operation	**7,192,340**	7,198,146
	— waste disposal operation	**—**	10,567
		15,543,331	13,113,765
	Contributions to capital fund	**4,195,377**	3,547,979
	Other	**682,848**	477,575
	Total expenditure	**20,421,556**	17,139,319
	Refund of development charge levies	**3,191,155**	—
BALANCE:	End of year	**41,792,902**	37,179,935

Continuity of Reserve Funds

Schedule 3

for the year ended December 31, 1988

		General Purpose	Roads	Sewage (Schedule 4)	Waterworks (Schedule 5)	Well Interference	Fixed Charge
		DEVELOPMENT CHARGE LEVIES					
		$	$	$	$	$	$
BALANCE:	Beginning of year	1,124,248	3,744,598	13,928,066	9,818,454	—	1,689,108
REVENUE:	Interest on investments	5,875	554,151	1,677,391	1,170,448	783	166,028
	Development charge levies	—	4,380,764	5,679,699	5,560,929	68,990	90,000
	Contribution from revenue fund	—	—	1,661,000	1,375,000	—	—
	Royalties	—	—	—	—	—	—
	Other	—	—	121,494	59,120	—	—
	Total Revenue	5,875	4,934,915	9,139,584	8,165,497	69,773	256,028
EXPENDITURE:	Debt charges and capital expenditures — general activities	—	3,547,250	—	—	—	—
	— sewer/water operations	—	—	4,691,241	7,079,840	—	225,000
	Contribution to capital fund	921,470	4,000	908,801	1,107,010	—	6,846
	Other	208,653	—	—	—	—	—
	Total Expenditure	1,130,123	3,551,250	5,600,042	8,186,850	—	231,846
	Refund of development charge levies	—	—	—	—	—	—
BALANCE:	End of year	—	5,128,263	17,467,608	9,797,101	69,773	1,713,290

Industrial Land	Roads Property Acquisition	Foreign Exchange	Waste Disposal	Insurance	Brooklin Development	Police Stations	911 Emergency Telephone System	Regional Headquarters Building	Workers' Compensation	York/Durham	Total
$	$	$	$	$	$	$	$	$	$	$	**$**
351,516	297,231	600,085	315,994	2,021,089	2,909,047	—	279,033	101,466	—	—	**37,179,935**
38,823	27,530	58,053	114,138	215,883	282,108	—	62,141	9,815	450	—	**4,383,617**
—	—	—	—	—	—	—	—	—	—	—	**15,780,382**
—	—	463,096	1,000,000	601,403	—	335,000	700,000	—	50,430	100,000	**6,285,929**
—	—	—	973,218	—	—	—	—	—	—	—	**973,218**
108,020	300,311	—	208,653	4,934	—	—	—	—	—	—	**802,532**
146,843	327,841	521,149	2,296,009	822,220	282,108	335,000	762,141	9,815	50,880	100,000	**28,225,678**
—	—	—	—	—	—	—	—	—	—	—	**3,547,250**
—	—	—	—	—	—	—	—	—	—	—	**11,996,081**
—	—	—	912,250	—	—	335,000	—	—	—	—	**4,195,377**
5,026	298,449	—	—	170,720	—	—	—	—	—	—	**682,848**
5,026	298,449	—	912,250	170,720	—	335,000	—	—	—	—	**20,421,556**
—	—	—	—	—	3,191,155	—	—	—	—	—	**3,191,155**
493,333	326,623	1,121,234	1,699,753	2,672,589	—	—	1,041,174	111,281	50,880	100,000	**41,792,902**

Sewage Reserve Funds

Schedule 4

for the year ended December 31, 1988

		Rate Stabilization	City of Oshawa Sewers & Sewage Treatment	Development Charge Levies	Regional Share of Sewage Works	Regional Share of Non Residential Development	Total
		$	$	$	$	$	$
BALANCE:	Beginning of year	85,752	28,186	9,727,531	3,883,664	202,933	**13,928,066**
REVENUE:	Interest on investments	8,296	2,883	1,299,552	347,027	19,633	**1,677,391**
	Development charge levies	—	—	5,083,074	596,625	—	**5,679,699**
	Contribution from revenue fund	1,067,000	—	—	394,000	200,000	**1,661,000**
	Other	—	—	—	121,494	—	**121,494**
	Total Revenue	1,075,296	2,883	6,382,626	1,459,146	219,633	**9,139,584**
EXPENDITURE:	Debt charges and capital expenditure — sanitary sewage operation	—	—	4,691,241	—	—	**4,691,241**
	Contribution to capital fund	—	—	—	908,801	—	**908,801**
	Total Expenditure	—	—	4,691,241	908,801	—	**5,600,042**
BALANCE:	End of year	1,161,048	31,069	11,418,916	4,434,009	422,566	**17,467,608**

Water Reserve Funds

Schedule 5

for the year ended December 31, 1988

		Rate Stabilization	Development Charge Levies	Regional Share of Waterworks	Regional Share of Non Residential Development	**Total**
		$	$	$	$	**$**
BALANCE:	Beginning of year	446,209	6,382,546	2,786,766	202,933	**9,818,454**
REVENUE:	Interest on investments	43,166	878,226	229,423	19,633	**1,170,448**
	Development charge levies	—	5,021,122	539,807	—	**5,560,929**
	Contribution from revenue fund	944,000	—	231,000	200,000	**1,375,000**
	Other	—	—	59,120	—	**59,120**
	Total Revenue	987,166	5,899,348	1,059,350	219,633	**8,165,497**
EXPENDITURE:	Debt charges and capital expenditure — waterworks operation	—	7,079,840	—	—	**7,079,840**
	Contribution to capital fund	—	—	1,107,010	—	**1,107,010**
	Total Expenditure	—	7,079,840	1,107,010	—	**8,186,850**
BALANCE:	End of year	1,433,375	5,202,054	2,739,106	422,566	**9,797,101**

SINKING FUND
& TRUST FUNDS
Auditors' Report
And Financial Statements

Deloitte
Haskins + Sells

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Regional Municipality of Durham:

We have examined the balance sheet of the sinking fund of the Corporation of the Regional Municipality of Durham as at December 31, 1988 and the sinking fund statement of continuity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the sinking fund of the Corporation of the Regional Municipality of Durham as at December 31, 1988 and the continuity of the sinking fund for the year then ended in accordance with accounting principles disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Deloitte Haskins + Sells

DELOITTE HASKINS + SELLS
Chartered Accountants
Oshawa, Ontario
March 31, 1989

Sinking Fund

Statement of Continuity

for the year ended December 31, 1988

		DEBT RETIREMENT FUND	
		1988	1987
		$	$
BALANCE:	Beginning of year	**175,182**	137,203
	Contribution from the waterworks operation	**30,243**	30,243
	Interest earned	**63,731**	54,652
		93,974	84,895
	Actuarial requirement for the year	**49,262**	46,916
BALANCE:	End of year	**219,894**	175,182

Balance Sheet

as at December 31, 1988

		DEBT RETIREMENT FUND	
		1988	1987
		$	$
ASSETS:	Investments: at amortized cost (market value $644,233; 1987-$560,508)	**649,544**	555,570
LIABILITY:	Actuarial requirement for retirement of debenture	**429,650**	380,388
FUND BALANCE:		**219,894**	175,182
	Total	**649,544**	555,570

Notes to Sinking Fund Financial Statements

December 31, 1988

1. INVESTMENTS

All investments are purchased with the intention of holding them until maturity and are recorded at cost price adjusted annually for amortization of discount or premium on the straight-line basis as determined at the date of purchase with the amount of such amortization included in the interest earned on the "Statement of Continuity".

2. ACTUARIAL REQUIREMENTS

The actuarial requirements of the sinking fund represent the amounts levied during the year as set out in the sinking fund debenture by-law plus interest thereon capitalized at a rate of 5% per annum compounded annually. Any excess revenue over these requirements is included in the sinking fund balance.

Deloitte
Haskins + Sells

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Regional Municipality of Durham:

We have examined the balance sheet of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 1988 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

In common with many funds of a similar nature, the Region derives the majority of its trust fund capital receipts in the form of contributions on behalf of the residents of the Homes for the Aged which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts recorded in the records of the trust funds.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had capital receipts on behalf of the residents been susceptible to complete audit verification, these financial statements present fairly the financial position of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 1988 and the continuity of trust funds for the year then ended in accordance with accounting principles disclosed in the Note to the financial statements applied on a basis consistent with that of the preceding year.

Deloitte Haskins + Sells

DELOITTE HASKINS + SELLS
Chartered Accountants
Oshawa, Ontario
March 31, 1989

Trust Funds

Statement of Continuity

for the year ended December 31, 1988

			HOMES FOR THE AGED			Campbell	Social
		Total	Residents	Donations	Bequests	Bequest	Services
		$	$	$	$	$	$
BALANCE:	Beginning of year	**1,487,700**	995,612	84,455	398,621	5,571	3,441
CAPITAL RECEIPTS:	on behalf of:						
	Residents	**745,197**	714,474	30,723	—	—	—
	Welfare Recipients	**60,495**	—	—	—	—	60,495
INTEREST EARNED:		**115,702**	74,453	10,908	30,341	—	—
	Total receipts	**921,394**	788,927	41,631	30,341	—	60,495
EXPENDITURES:	on behalf of:						
	Residents	**689,195**	664,839	24,356	—	—	—
	Welfare Recipients	**55,929**	—	—	—	217	55,712
	Total Expenditures	**745,124**	664,839	24,356	—	217	55,712
BALANCE:	End of year	**1,663,970**	1,119,700	101,730	428,962	5,354	8,224

Balance Sheet

as at December 31, 1988

			HOMES FOR THE AGED			Campbell	Social
		Total	Residents	Donations	Bequests	Bequest	Services
		$	$	$	$	$	$
ASSETS:	Cash and accrued interest	**691,075**	573,257	101,730	2,510	5,354	8,224
	Short-term investments	**972,895**	546,443	—	426,452	—	—
	Total assets	**1,663,970**	1,119,700	101,730	428,962	5,354	8,224
FUND BALANCE:		**1,663,970**	1,119,700	101,730	428,962	5,354	8,224

Note to Trust Funds Financial Statements

December 31, 1988

SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted for Ontario municipalities as required by the Ministry of Municipal Affairs, and reflect the following policy as set forth in the Municipal Financial Reporting Handbook.

BASIS OF ACCOUNTING

Receipts and expenditures are reported on the cash basis of accounting with the exception of interest income which is reported on the accrual basis.